

LOUISIANA TECH UNIVERSITY

UNIVERSITY OF LOUISIANA SYSTEM

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 27, 2025

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Louisiana Tech University



March 2025

Audit Control # 80240074

Introduction

As a part of our audit of the University of Louisiana System (System) and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2024, we performed procedures at Louisiana Tech University (La Tech) to provide assurances on financial information that is significant to the System's financial statements; evaluate the effectiveness of La Tech's internal controls over financial reporting and compliance; and determine whether La Tech complied with applicable laws and regulations.

Results of Our Procedures

Current-year Finding

Misappropriation of Research and Development Cluster Funds

In December 2024, La Tech discovered that during the period from February 2024 through November 2024, nine electronic fund transfer (EFT) payments to an out-of-state university totaling \$206,451 had been fraudulently diverted to unknown person(s).

The misappropriation of funds occurred after an unknown individual(s) submitted fraudulent emails impersonating La Tech's point of contact with the out-of-state university, requesting a change in payment method from physical check to EFT. La Tech processed the request under the incorrect assumption that it was legitimate. The stolen funds originated as grant funding from the National Institutes of Health (NIH). La Tech became the direct recipient of the NIH grant funding when La Tech hired a faculty member who had been awarded the NIH grants while employed at the out of state university. Research related to the grant funding continued at the out-of-state university, and La Tech, as the prime recipient, provided reimbursement. La Tech reported the fraud to appropriate law enforcement and the federal grantor.

In response to this cyber fraud, La Tech management has represented that they are evaluating opportunities to further enhance the university's internal controls and

verification procedures to better safeguard against increasingly sophisticated cyber threats targeting payment remittance processes. La Tech should continuously evaluate its internal controls to guard against future fraud attempts. Management concurred with the finding and provided a corrective action plan. (see Appendix A).

Financial Statements – University of Louisiana System

As a part of our audit of the System's financial statements for the year ended June 30, 2024, we considered La Tech's internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

Statement of Net Position

Assets - Investments, Due from State Treasury, and Capital Assets

Net Position – Net Investment in Capital Assets, Restricted-Nonexpendable, Restricted-Expendable, and Unrestricted Net Position

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Student Tuition and Fees (Net of Scholarship Allowances), Auxiliary Revenues (Net of Scholarship Allowances), State Appropriations, and Federal Nonoperating

Expenses – Educational and General and Auxiliary Enterprise

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using La Tech's Annual Fiscal Reports and/or system-generated reports and obtained explanations from La Tech's management for any significant variances.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of La Tech. The nature of the recommendation, its implementation costs, and its potential impact on the operations of La Tech should be considered in reaching decisions on courses of action.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

WW:AHC:JPT:BQD:ch
LTU 2024

APPENDIX A: MANAGEMENT’S RESPONSE



LOUISIANA TECH UNIVERSITY®

Office of the President

February 17, 2025

Michael J. Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Misappropriation of Research and Development Cluster Funds

Dear Mr. Waguespack:

I am in receipt of the letter dated January 24, 2025 from Angel Cavaretta, Audit Manager, related to the misappropriation of research and development cluster funds.

Louisiana Tech concurs with the recommendation. The misappropriation of funds occurred as a result of a sophisticated cyber fraud scheme in which perpetrators submitted fraudulent email requests directing that funds be deposited via electronic funds transfer (EFT) into accounts purportedly affiliated with the out-of-state University. However, the accounts were later discovered to have no connection to the institution. These deceptive actions exploited the University's payment processing systems and evaded detection at the time. Upon information and belief, the data breach originated with the out-of-state University, and it is also noted that the out-of-state University did not detect discrepancies in its invoicing processes, including non-payment or fraudulent communications, which may have contributed to the fraud's success.

Upon discovering the fraud, the University promptly reported the incident to appropriate law enforcement authorities, the Legislative Auditor, and the federal grantor. The University immediately reviewed all suppliers with an EFT payment type and has temporarily suspended the approval of any supplier requests related to the EFT payment option. As stated in the finding, the University is evaluating internal and external opportunities to further enhance its internal controls and verification procedures to better safeguard against increasingly sophisticated cyber threats targeting payment remittance processes.

Sincerely,

A blue ink signature of James B. Henderson, written in a cursive style.

James B. Henderson
President

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana Tech University (La Tech) for the period from July 1, 2023, through June 30, 2024, to provide assurances on financial information significant to the University of Louisiana System (System), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the System's financial statements and our work related to the Single Audit of the State of Louisiana for the year ended June 30, 2024.

- We evaluated La Tech's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to La Tech.
- Based on the documentation of La Tech's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the System's financial statements.
- We compared the most current and prior-year financial activity using La Tech's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from La Tech's management for significant variances.

The purpose of this report is solely to describe the scope of our work at La Tech, and not to provide an opinion on the effectiveness of La Tech's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review La Tech's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. La Tech's accounts are an integral part of the System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.